WEEKLY ECONOMIC REVIEW

SEPTEMBER 23, 2005

In its first post-Hurricane Katrina meeting, the Federal Reserve Board increased its federal funds rate by 25 basis points to 3.75% this week. According to the Fed, Katrina has increased uncertainty about near term economic performance, but it does not pose a persistent threat. The Fed is concerned with rising inflationary pressures caused by higher energy prices and other costs and is likely to continue raising interest rates at a measured pace for now.

Canada's domestic economy remains very strong as retail sales, especially in Alberta, posted solid gains. However, manufacturing has been adversely affected by the rising Canadian dollar with both wholesale trade and manufacturing shipments posting recent declines: manufacturing shipments declined in Alberta following strong increases in the past several months but are up 12.5% in the first seven months of 2005 over the same period in 2004.

Led primarily by high gasoline prices, Canada's consumer price index increased to 2.6% in August, from 2% in July. Core inflation, excluding eight volatile components such as food and energy, rose to 1.7%, compared to 1.4% in the previous month. Higher inflation and strong retail sales suggest the Bank of Canada is likely to increase interest rates on October 18th.

Cdn Dollar (C¢/US$)

⇧	Sept 23, 2005	85.40¢
	Sept 16, 2005	84.53¢
	2005-06 YTD	81.69¢

WTI Oil US$/bbl

Sept 22, 2005	$66.50
Sept 15, 2005	$64.75
2005-06 YTD	$57.95

Nymex Natural Gas C$/mcf*

October Contract

Sep 23, 2005	$14.69
Sept 16, 2005	$13.53

*Estimate based on Nymex Futures Market Price

Concerns about Hurricane Rita increased oil prices this week despite OPEC's commitment to provide an additional 2 million barrels of crude oil per day over the next three months. Nymex gas prices reached record levels this week and today's price is only 23 cents below the high reached on September 22nd.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Consumer Price Index	**August**			
Alberta	128.0	0.0	2.4	1.7
Canada	135.0	0.4	2.6	2.1
Wholesale Trade ($ millions)	**July**			
Alberta	4,587	1.5	18.7	17.8
Canada	39,725	-0.5	4.0	6.2
Retail Trade ($ millions)	**July**			
Alberta	4,165	2.8	14.5	12.3
Canada	31,292	1.5	7.9	7.1
Manufacturing Shipments ($ millions)	**July**			
Alberta	4,730	-4.4	4.3	12.5
Canada	50,101	-1.4	-1.3	3.9

Source: Statistics Canada and Bureau of Labor Statistics

[1]Year-to-date 2005 compared to the same time period in 2004. For example: January-July 2005 versus January-July 2004